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Universal Service Contribution Methodology:
Possible Transition to Numbers-Based Methodology

Goals: Ensure that --

- Methodology generates sufficient support without unduly burdening any specific class of customer.
- Carriers are assessed only on numbers for which they have retail relationship with end-user.
- Carriers are not required to act as "agent" for other contributors.
- Overall program has minimal implementation and administrative costs.

Proposal: If the FCC wishes to enact a numbers-based contribution methodology, FCC should issue an order establishing that principle. At the same time, the FCC should release an FNPRM asking targeted questions to explore specific issues related to implementing a numbers-based methodology.

Definitional Issues for Transition to Numbers-Based Contribution Methodology:

- Difference between NRUF "assigned" numbers and working numbers:
    1. Type 1 wireless
    2. Wholesale numbers (UNE-P & Resale)
    3. Ported out numbers
    4. Non-working dedicated code numbers

- For category 1, 2, 3 above: principle should be that carrier who has retail relationship with end-user should make contribution.

- For category 4: need to make sure that these non-working numbers are not included in the contribution basis.

- Need to have consistent rules for contributions from complex business users and governmental and educational institutions. Caps should be adopted to minimize rate shock.
    o Centrex line: 1/9
    o PBX trunk: 1
    o PRI trunk: 5

- "Functional equivalency" test: If voice service is provided without using telephone numbers, but with IP address or other identifier, FCC will need to establish a "functional equivalency" test.

Administrative Issues:

- Contributors and USAC will need time for beta testing of new systems/forms. Revision to Form 499 will be needed.

- BellSouth needed approximately one year to implement the current revenues-based universal service billing regime. That implementation followed and built upon prior work done to implement subscriber line charge changes. This was possible since there was a close relationship between how those programs were administered.

- Industry needed between 8-9 months to implement the recent changes requiring dual PIC. The Dual PIC Order was issued on 2/17/2005 with implementation scheduled for 30 days after publication in the Federal Register. BellSouth, among others in the industry, requested 12 months to implement the Order. After reviewing industry requests, the FCC delayed the filing deadline until 10/17 with an effective date of 11/01/05.

- Carries with legacy ordering and billing systems must:

    o **identify the numerous ordering and billing systems that will need to be changed to reflect the FCC's new rules;**
    o **identify the requirements for the changes and establish written system requirements;**
    o **submit work requests to outside vendors and receive feasibility estimates for the work;**
    o **coordinate changes with other planned ordering and billing system changes and software releases;**
    o **schedule implementation and consider the impact on CLEC scheduled requests made via the change control process;**
    o **implement and test the code and test systems prior to going live to eliminate bugs.**

- FCC/USAC will need major education effort for companies who have not had to contribute previously (VoIP providers).

- BellSouth suggests a transition with regard to long distance carriers (*See* BellSouth March 23, 2005 *ex parte*).